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Responding to the Immediate Needs of Maine Workers, Businesses and Communities Adversely Impacted by Base Closings

An Action Plan from the Maine Department of Labor

*Prepared for
Governor John E. Baldacci*



*Presented by
Laura A. Fortman, Commissioner
Maine Department of Labor*

Responding to the Immediate Needs of Maine Workers, Businesses and Communities Adversely Impacted by Base Closings:

An Action Plan from the Maine Department of Labor

Introduction

Base closings have extraordinary adverse impacts on workers, businesses and communities; they demand an extraordinary and sustained response from state government. The impacts for Maine are large and will spill over multiple local and regional boundaries. The impacts are also complex, demanding creative, innovative and highly coordinated economic, community and workforce development strategies if we are to come out of this misfortune better off.

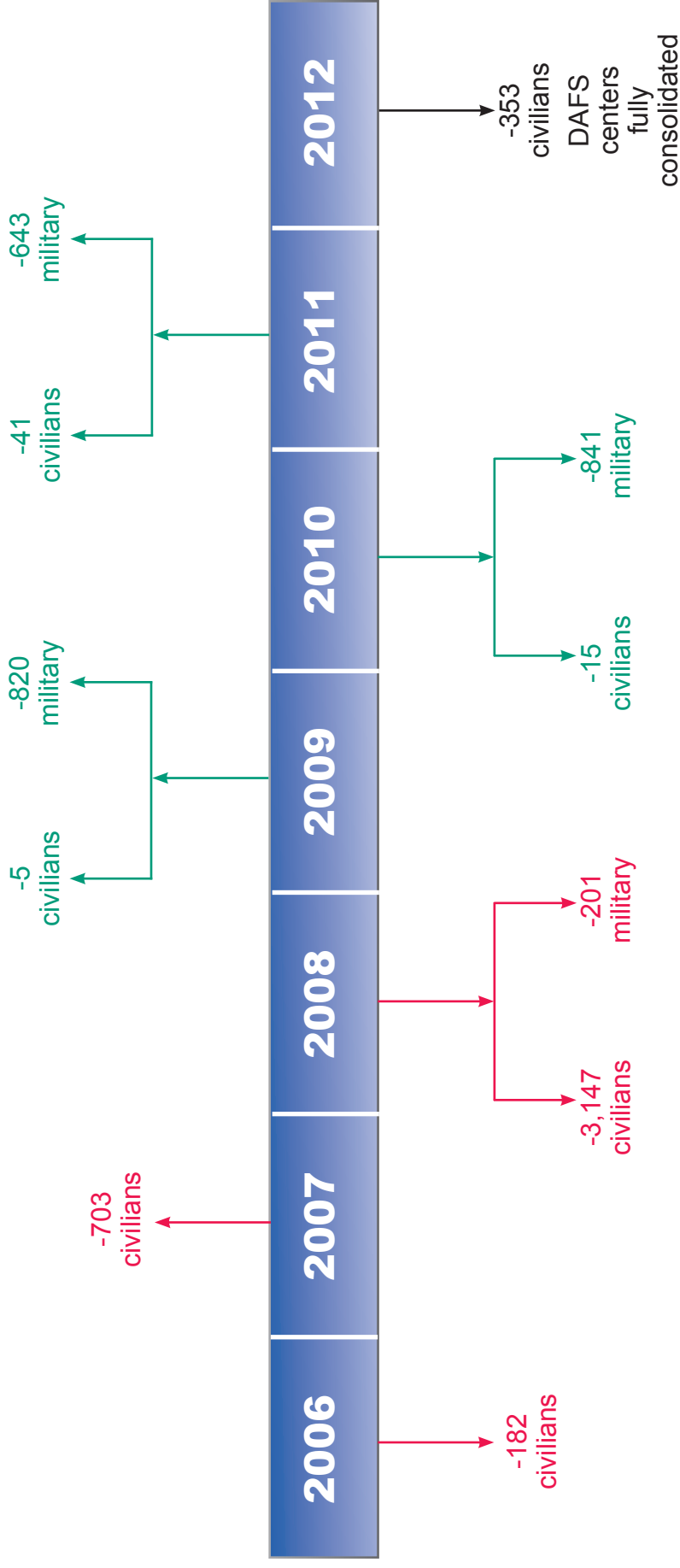
The psychological effects of base closing announcements are taking a toll on the Maine economy. These effects are raising the anxiety levels of Maine workers and businesses. It is important that we act now to instill a strong sense of confidence about the future.

Our response, both immediate and over time aligning Maine's workforce and economic development system is detailed in the following plan of action and includes:

- Reaching Out and Serving Maine Workers and Businesses Impacted By Base Closings/Realignments.
- Formulating a Strategic and Sustained Response to Base Closings
- Systems Planning for Potential Base Closures
- Statistical Profiles and Analysis of Impacted Workers and Regions

BRAC Closings

layoffs timeline



Color code

— = Portsmouth Naval Shipyard

— = Brunswick Naval Air Station

— = Defense Finance Accounting Center

I. Reaching Out and Serving Maine Workers and Businesses Impacted By Base Closings/Realignments: A Response from Maine's Workforce System

The Department of Labor has an existing infrastructure of services and delivery methods which are currently being used to successfully serve workers and businesses affected by layoffs. However, because of the sheer magnitude of economic disruption that base closings or realignments will have, the Department recognizes the need to provide a broader and more inclusive response than ever before. Planning has already begun for a state response which will involve federal, state, regional and local workforce and economic development stakeholders. The New Hampshire Workforce Opportunity Council is also coordinating with us. We will also strive to work closely with Maine employers, business and trade associations to ensure a strong connection with available job opportunities for impacted workers.

Our Immediate Response: Maine's CareerCenter network with its extensive connections and service agreements with local businesses, workforce boards, community colleges, adult education, and economic development organizations is prepared to immediately respond to the needs of Maine workers should BRAC Commission hearings result in negative outcomes for our state. Statewide and local worker assistance teams will be assigned to the affected counties to provide support, information and referral services and service provider coordination. Worker assistance team members will be made available to conduct and/or participate in community response team meetings, distribute CareerCenter informational brochures, assess needs of workers, develop service plans and make referrals to community resources. The CareerCenters will offer group sessions on-site during regular work hours as well as evening and weekend sessions at CareerCenters, or at other community facilities. Sessions focusing on planning for your next job, career decision making, job search and interviewing, budgeting, and accessing community resources may be offered as needed. Workers will be invited to visit the CareerCenters to access information, speak with Career Counselors, or start career exploration or job search activities using Center computers, faxes, copiers, and telephones.

The Department's existing programs which serve dislocated workers will be part of the system-wide BRAC response. These programs and our involvement in system-wide planning are described below.

Sustained Response and Reliable Support for Maine Workers: Department of Labor Existing Infrastructure for Serving Dislocated

Workers: For over 20 years, we have systematically responded to plant closings and major workforce reductions throughout Maine. We have effectively repositioned thousands of Maine workers from the old economy to the emerging one. We help coordinate a complex and diverse array of resources including education and training, social assistance, and personal support to help Maine workers transition successfully into new employment opportunities. The Rapid Response Team is the primary contact with employers and workers affected by layoffs. When the Department learns of an actual or expected layoff, our Rapid Response staff engages in

immediate contact with the affected company and its workers. The following types of information are collected:

- a) General company information, including type of sector is used to track industry patterns,
- b) Reason for downsizing,
- c) Facilitation of a petition for trade certification,
- d) Information regarding severance packages,
- e) Information about the workers who will be attending the orientation session,
- f) Worker task statements are gathered and used to scan for skill demand (or lack thereof) in the local labor market and to determine the anticipated retraining or skill development that may be necessary for reemployment purposes, and
- g) Worker needs survey that is scanned for coordination of transitional resources and need for allocation of financial resources.

This information prompts specific response steps for the appropriate mix of services. Businesses are informed of layoff aversion possibilities such as employee buyouts and skill retooling and employer needs are linked with state and local economic development programs and services. Private-sector local board members and elected officials can facilitate problem resolution when there may be an opportunity to avert layoff or shutdown. Information from the first contact is also provided directly to the Governor's office for similar reasons. Finally, the information is used to develop a customized package of services from Rapid Response orientations and workshops to training to job development.

Concurrently, workers pursue immediate readjustment/reemployment pathways. At the close of each initial Rapid Response session participants have the opportunity to sign up for workshops, career counseling, and access a wide array of career/job search resources.

For those who feel confident to immediately seek new employment, a series of workshops designed to support this goal is offered. Outplacement is conducted almost immediately via referral to the jobs that have been identified through the initial LMIS labor market scan. CareerCenters coordinate customized job fairs which are often offered right at the worksite. Workers can access employment opportunities through Maine's Job Bank which lists employment opportunities available at businesses interested in hiring workers from affected facilities.

Those who may have more difficulty dealing with job loss and/or have broader barriers to immediate reemployment may participate in a series of workshops covering such topics as coping with job loss, career decision making, and understanding labor market trends, where they gain perspective through individual assessments leading to opportunities and resources for skills upgrade and retraining that will prepare them for demand occupations. All workers are provided with information on Unemployment Insurance and other financial benefits.

Affected workers from smaller layoffs, are offered similar service pathways, utilizing existing workshops offered by their local CareerCenters. If management is unable to partner in providing services, each worker is contacted individually and invited to a formal Rapid Response info session or to an orientation at the CareerCenter. It is the goal of Maine's Rapid Response program to contact every laid-off worker regardless of size of company closure or downsizing; each will be invited to access the full array of available services.

Rapid Response representatives promote many resources such as National Emergency Grants, Workforce Investment Programs, Trade Adjustment Assistance, the Maine Apprenticeship Program, the Governor's Training Initiative, Lean Concepts, ISO Certification, customized business consulting available through the Trade Adjustment Assistance for Firms Program, and community action teams.

II. Formulating a Strategic and Sustained Response to Base Closings

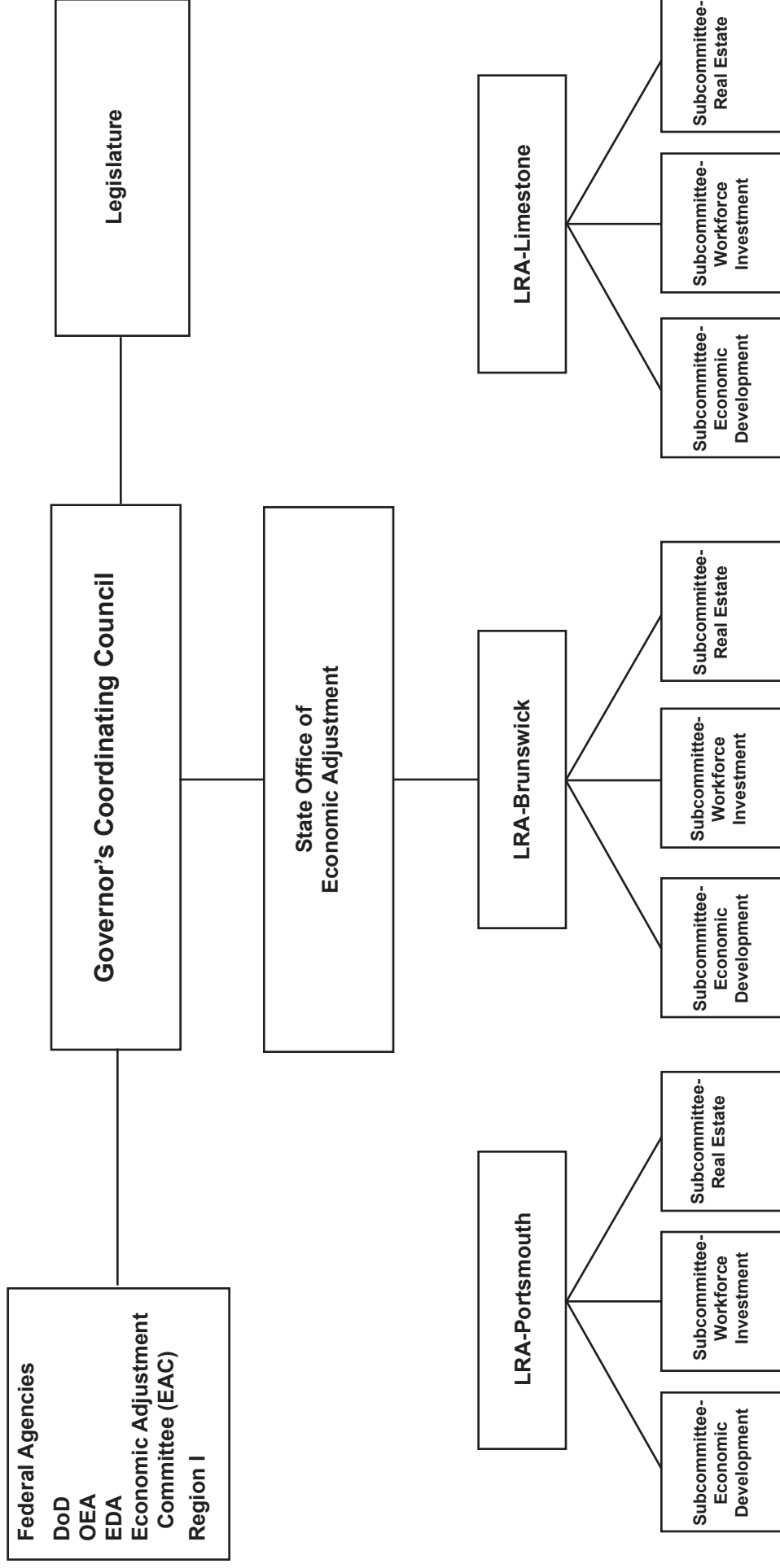
Adam Smith, the founder of modern economics wrote that people are the “wealth of nations”. The prospects of base/facilities closures in the State of Maine leaves us with little choice but to once again employ Maine’s best assets in securing a new economic future. Maine’s people have always been its greatest economic strength. Historically, the world-renowned skills of its shipbuilders, papermakers, factory workers, engineers and trade and craft workers have helped Maine earn an international reputation for workforce quality and dependability.

Leading with our strengths. The Governor had already put forward a visionary strategy for developing key sectors of Maine’s economy and has given important emphasis to supporting the creative economy sector along with buttressing our natural resource-based industries. Significant attention is also being given to retaining the vitality and skills of Maine’s young people as part of a comprehensive approach to building a new future for the State of Maine. Redeploying Maine workers adversely impacted by base closings into the emerging opportunities being created is vital to Maine’s future. We need to set a well- charted course to transfer the skills sets and experience of these workers into emerging and targeted sectors such as advanced composite materials production and bio technology enterprises. Maine’s workforce is expected to grow slowly and age significantly over the next ten years. Thus, we cannot afford to squander the skills, talents and potential of any Maine worker.

The knowledge, skills and abilities of the workers who will become unemployed offer tremendous assets for driving economic development. The extraordinary talents combined with the exceptional work ethic of Maine workers impacted by base closings needs to be effectively inventoried and heavily promoted as a primary thrust of regional economic development and community rebuilding strategies. After all, we now live in a time, when human capital and the talents of workers are the primary determinants of incomes and economic well being. As we assess worker talents and skills, we also need to look closely at the skills needs of the new economy that is unfolding and the new economy we are shaping in Maine. There will be skills gaps for some of these workers when we assess their skills against the requirements of new jobs. We can readily remedy these gaps by effectively connecting our education and training strategies and institutions as an integral part of the rebuilding and economic development strategy. This is exactly what the Governor had in mind when he created his Workforce Cabinet where the key agencies, institutions and investors responsible for creating Maine’s economic future would work together shaping integrated strategies that match up job creation with the investments in people.

Aligning our investments in public infrastructure with the skills and talents of the workforce that will enter the marketplace as a result of base closings. The issuance of bonds and investments in public infrastructure needs to be conducted under strategic framework leveraging the greatest long term advantage for Maine. First, we need to ensure that we invest these limited dollars to support infrastructure job creation in the emerging growth sectors that are targeted under Governor’s economic strategy. We must also ensure that the workers most adversely impacted by closings have first crack at the employment opportunities created under projects financed with bonds and public investments. We owe it to these Maine workers. For that

Statewide Coordinated Response to Base Closings Organizational Framework



reason, projects funded under state bonding should be aligned and timed with the scheduled layoffs so that impacted workers would get access to jobs created.

Offering Health Insurance Coverage. Along with losing their jobs, these workers will also lose their health insurance coverage. The lack of health insurance coverage creates high anxiety and tremendous financial exposure for these workers. Already burdened by the trauma of job loss, these workers need access and financing for health insurance. We need to explore how Dirigo Health could serve as a group plan for impacted workers during times of their exposure.

Act Now!. The psychological impacts of base closing announcements combined with rising energy prices are creating a drag on the Maine economy. As long as this uncertainty hangs over us, there will be adverse impacts including reduced businesses and public investments causing slow/no job growth, heightened worker anxiety and uncertain climates for community development. Commitment to the attraction and development of new industries to create a new and stable future along with investing strategically in skills training and the educational development of workers adversely impacted must begin now. We should not wait for lay offs to start but instead use this window to aggressively offer services and prepare workers and business for the future.

III. System Planning for Potential Base Closures/Realignments

The projected closing dates allow enough time for the State to engage in a deliberate planning effort for dealing with such large scale layoffs. Our planning process must ensure that we effectively coordinate our efforts across state agencies and with local organizations and groups to develop common goals and coordinated solutions. There are several grants already being implemented at the state and local level. Both Kittery and Brunswick have received planning grants from the Department of Defense to examine economic and social impacts of base closings and to explore development alternatives. The Department of Labor has received a \$1.2 million Phase I grant to plan a comprehensive response as the basis for providing employment and training assistance under a subsequent grant.

The Department's planning will involve the following areas:

1. Goal setting and communications.
 - a. Determine the state's short-term goals that need to be achieved prior to the BRAC Commission's decision and determine the intermediate goals following the decision,
 - b. Coordinate a decision and implementation process to ensure that Maine speaks with one voice,
 - c. Engage the affected communities in an effective response that is integrated with the state's approach, and
 - d. Develop a communications strategy so that the many stakeholders are consistently speaking on the same themes and messages.

2. Data Gathering, Analysis

Even before a layoff date, the local economy may begin to change. Analysis of data from an early warning system can help predict how shifts in the workforce will affect such things as tax revenues, school enrollment, community services, and local business. This information will also provide the basis for the development of intervention strategies. A large dislocation has a ripple effect on the local economy and can seriously affect businesses not directly related to military production. The Department of Labor will be conducting analyses of the regional economies and workforce and will share the results on a web page. The components of the research program include a structural analysis of regional economies, an examination high growth employment sectors and a sustained focused skills transferability and regional job vacancy surveys.

We have already reached agreement with the State of New Hampshire to jointly conduct annual job vacancy surveys in the seacoast region between 2006 and 2010. We have also agreed to begin the analysis and inventory of skills sets for the workers at Portsmouth Naval Shipyard, the civilian employees of Brunswick Naval Air Station and the employees of the Defense Finance Accounting Services. This analysis will assist us in properly identifying the skills sets of workers so as to match their skills to employment opportunities with demands for workers and to assist economic developers to effectively promote the availability of these labor pools.

3. Enhancement of Information Technology

The Office of Information Processing is planning a business strategy to bring new relevance of workforce and economic data to the people of Maine. The technology of the data warehouse already in progress will allow agencies to input data previously kept in separate databases and will allow people to use the output in new ways. The planning grant will provide the resources for OIP to identify and connect with stakeholders maintaining information and connect with local agencies to develop their ideas on data utilization.

4. Local Planning Guidance

Local Workforce Investment Boards will be coordinating activities at the community level and communicating planning activities to the State. It will be important for them to arrange for an on-site facility in the respective communities for employers and job seekers to conduct business. The local boards will develop comprehensive and integrated locally-based plans.

5. Web Based Information Center

State agencies, regional groups, local communities and private consultants will be generating research studies, impact analysis, economic assessment, labor market analysis, community studies and environmental assessments related to base closings. To ensure that this information is widely shared and accessible, MDOL will develop and host a web site. Such a site will serve as a repository for information and research permitting more efficient access for those who need this information including workers and businesses most directly impacted. Information sharing will also help to limit duplication and enhance coordination. This site will be supported and monitored by a planning group consisting of economists and analysts from a variety of State agencies.

IV. Statistical Profiles and Analysis of Impacted Workers and Regions

Portsmouth Naval Shipyard

Brunswick Naval Air Station

Defense Finance Accounting Services

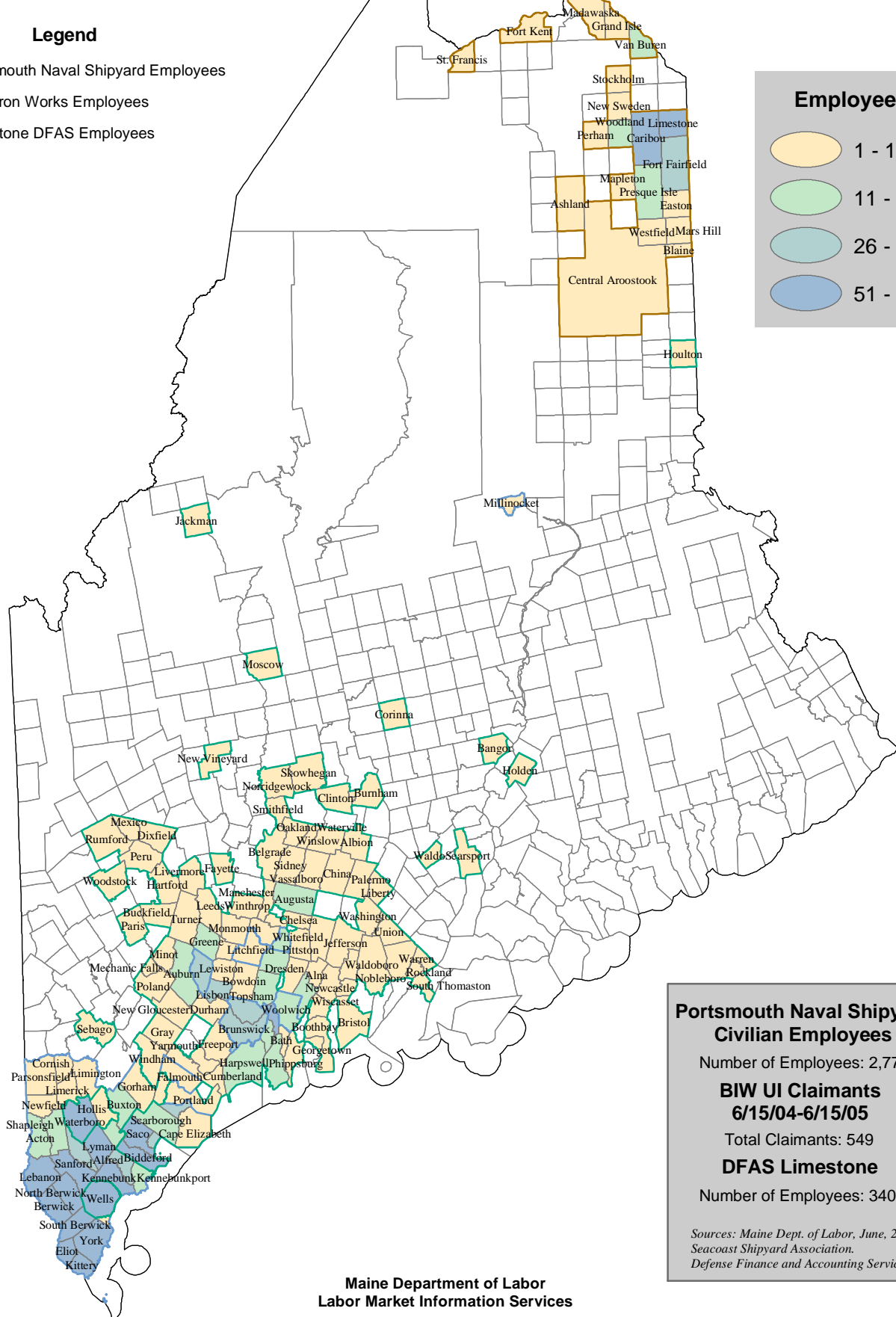
Place of Residence of Unemployment Insurance Claimants at Bath Iron Works, Employees at The Defense Finance and Accounting Service - Limestone & Civilian Employees at Portsmouth Naval Shipyard

Legend

- Portsmouth Naval Shipyard Employees
- Bath Iron Works Employees
- Limestone DFAS Employees

Employees

- 1 - 10
- 11 - 25
- 26 - 50
- 51 - 392



Portsmouth Naval Shipyard Civilian Employees

Number of Employees: 2,771

**BIW UI Claimants
6/15/04-6/15/05**

Total Claimants: 549

DFAS Limestone

Number of Employees: 340

*Sources: Maine Dept. of Labor, June, 2005
Seacoast Shipyard Association.
Defense Finance and Accounting Service*

Portsmouth Naval Shipyard

A Labor Market Profile of York County for 2004

Total Population 200,359

Civilian Labor Force 112,090

Employment 107,760

Unemployment 4,330

Rate 3.9%

Wage and Salary Employment by Industry Sector

	Number	Percent of Total
Natural Resources and Mining	205	0.3%
Construction	3,346	5.0%
Manufacturing	9,154	13.6%
Trade, Transportation, and Utilities	12,541	18.7%
Information	842	1.3%
Financial Activities	2,353	3.5%
Professional and Business Services	3,417	5.1%
Education and Health Services	10,264	15.3%
Leisure and Hospitality Services	9,859	14.7%
Other Services	1,656	2.5%
State Government	420	0.6%
Local Government	7,967	11.9%
Federal Government	5,062	7.5%
Total	67,086	100.0%

The Impact Closure of the Portsmouth Naval Shipyard Would Have on the Maine Portion of the Local Labor Market

**Prepared by
Maine Department of Labor
Labor Market Information Services
June 15, 2005**

Portsmouth Naval Shipyard in Kittery, Maine is among the largest, highest paying employers in Maine and New Hampshire. Closure would have a major impact on the immediate region in which it is located, as well as the Maine economy overall.

The Local Population and Labor Force

Maine towns centered within 20 miles of Kittery reported 56,300 residents in the 2000 Census. The 2004 average civilian labor force totaled 35,000 workers with an average number of unemployed workers of 1,200. The direct loss of 2,771 jobs by Maine residents would increase the number of unemployed in the region three-fold and cause the unemployment rate to spike from 3.5 to 8.1 percent.

When we examine direct employment impacts for Maine towns centered within 30 miles of Kittery, the number of unemployed would increase two-fold and the unemployment rate would spike from 3.9 to 7.7 percent. These numbers do not include the obvious secondary job losses that would occur as the displaced workers reduced their spending on goods and services in the local economy.

Regional Employment and Wages of PNSY Workers

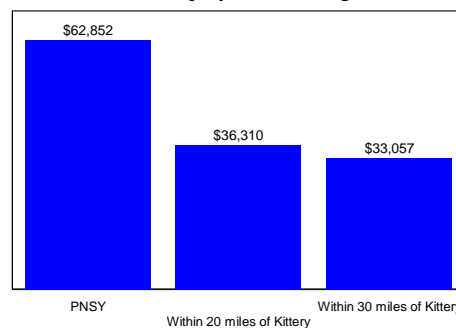
Figures for 2004 from the Seacoast Shipyard Association indicate that the civilian workforce of 4,803 was paid a total of \$318.3 million in wages, with an average wage of \$62,852. Maine residents accounted for 58 percent of the jobs and 59 percent of payroll.

The military payroll was an additional \$29.3 million.

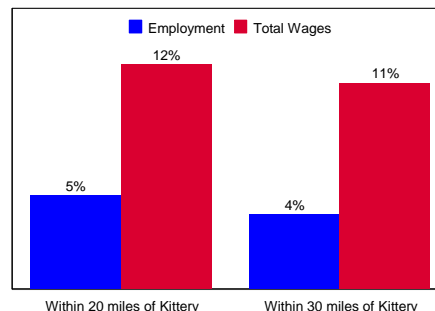
High levels of pay have attracted workers from throughout Maine to work at the yard. However, 55 percent of the workers who reside in Maine live in towns centered within 20 miles and 79 percent live in towns centered within 30 miles of Kittery (see map A). Among those two commuting regions, the Maine resident PNSY workers earned \$105.2 million and \$148.1 million in wages in 2004.

PNSY workers accounted for five percent of all

Average wages at the Portsmouth Naval Shipyard are nearly double those found among Maine employers in the region



The estimated share of employment and wages of Portsmouth Naval Shipyard workers in the residing in the primary Maine commuting region is quite high



employed Maine residents living in towns centered within 20 miles of Kittery in 2004, and four percent of employed residents in towns within 30 miles of Kittery (see map B).

With pay levels nearly twice the average of the region, we estimate that PNSY workers accounted for 12 percent of total wages paid in the 20 mile region and 11 percent of wages paid in the 30 mile region.

Industry Structure of Employment and the Regional Job Outlook

Many of the PNSY workers have accumulated high-value, advanced skills in trades such as pipefitting, welding, and marine electronics. The knowledge, skills, and experience of those workers are not directly transferable to most industries in the region. As the attached table indicates, the share of jobs in the manufacturing sector is relatively low, and PNSY workers account for more than half of the manufacturing employment in the region.

The Maine Department of Labor's employment projections to 2012 for southern Maine indicate that jobs in most manufacturing industries are likely to continue the long-term pattern of decline. Based upon past experience with base closings, plant closings, and major workforce reductions, it is likely that most of the displaced workers will experience a substantial drop in earnings upon re-employment and that some will choose to move to another region in order to find suitable employment.

Compounding the situation is the age and educational profile of the PNSY workers, most of whom are men, suggesting they will face formidable re-employment challenges. Data from the yard indicates that 43 percent of the workers are age 50 or over and 77 percent are age 40 or over. The highest level of educational attainment of nearly two-thirds of them (63 percent) is high school, and 78 percent have achieved less than a bachelor's degree. Facing a weak job market demanding entirely different skill sets, the path to re-employment will be long and costly.

Direct Labor Force Impact in Maine if the Portsmouth Naval Shipyard Closes						
Labor Force and Components	Maine towns centered within 20 miles of Kittery		Maine towns centered within 30 miles of Kittery		Statewide	
	PNSY open	PNSY closed	PNSY open	PNSY closed	PNSY open	PNSY closed
Population	56,294	56,294	127,184	127,184	1,274,923	1,274,923
Civilian Labor Force	33,822	33,822	59,880	59,880	699,000	699,000
Employed	33,822	32,209	59,880	57,544	664,400	661,449
Unemployed	1,210	2,823	2,437	4,773	30,800	33,751
Unemployment Rate	3.6%	8.3%	4.1%	8.0%	4.4%	4.8%

The town of residence of 36 of the Maine resident PNSY workers was not available. Figures for those workers are only reflected in the statewide columns.

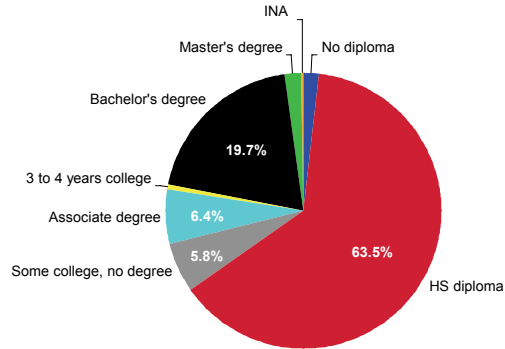
Labor force figures are based on 2004 annual averages.

Source: Maine Dept. of Labor, Labor Market Information Services

A Demographic Profile of the Portsmouth Naval Shipyard Workforce

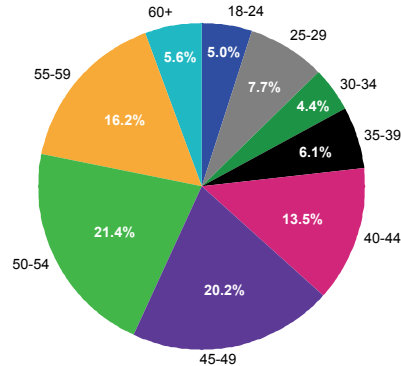
- There are about 4,700 workers at the Portsmouth Naval Shipyard. Of those, 57 percent reside in Maine. About 55 percent of the Maine resident workers lived in towns centered within 20 miles of Kittery, and 79 percent lived in towns centered within 30 miles.

A high school diploma is the highest level of educational attainment for most of the workforce



- Men account for 88 percent of the workforce. A large share of the 577 women employed at the yard work in clerical, engineering, budget and finance, and information technology occupations. Men hold the vast majority of jobs in production occupations.

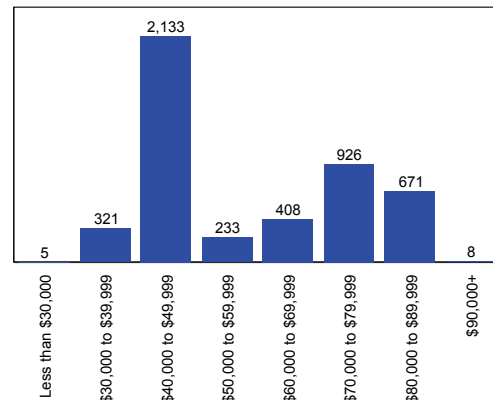
Nearly two-thirds of the workforce is age 45 or over



- The highest level of educational attainment for nearly two-thirds of the workers is a high school diploma. About one-fifth have attained a bachelor's degree.

- The workforce is relatively old, with 22 percent age 55+, 43 percent age 50+, 63 percent age 45+, and 77 percent age 40+.

The largest share of the workforce earn between \$40,000 and \$50,000



Brunswick Naval Air Station

A Labor Market Profile of Sagadahoc County for 2004

Total Population	36,927
Civilian Labor Force	19,710
Employment	19,030
Unemployment	690
Rate	3.5%

Wage and Salary Employment by Industry Sector

	Number	Percent of Total
Natural Resources and Mining	30	0.2%
Construction	825	5.2%
Manufacturing	6,661	41.8%
Trade, Transportation, and Utilities	1,974	12.4%
Information	66	0.4%
Financial Activities	379	2.4%
Professional and Business Services	866	5.4%
Education and Health Services	1,312	8.2%
Leisure and Hospitality Services	1,311	8.2%
Other Services	471	3.0%
State Government	29	0.2%
Local Government	1,677	10.5%
Federal Government	322	2.0%
Total	15,923	100.0%

A Labor Market Profile of Cumberland County for 2004

Total Population 273,505

Civilian Labor Force 157,440

Employment 152,230

Unemployment 5,210

Rate 3.3%

Wage and Salary Employment by Industry Sector

	Number	Percent of Total
Natural Resources and Mining	272	0.2%
Construction	8,917	5.2%
Manufacturing	11,433	6.7%
Trade, Transportation, and Utilities	38,182	22.4%
Information	4,287	2.5%
Financial Activities	15,090	8.9%
Professional and Business Services	20,321	11.9%
Education and Health Services	29,360	17.2%
Leisure and Hospitality Services	16,749	9.8%
Other Services	5,051	3.0%
State Government	4,621	2.7%
Local Government	13,234	7.8%
Federal Government	2,753	1.6%
Total	170,270	100.0%

The Impact Realignment of the Naval Air Station in Brunswick Combined with the Slowing Rate of Naval Ship Building at Bath Iron Works Would Have on the Local Labor Market

**Prepared by
Maine Department of Labor
Labor Market Information Services
June 17, 2005**

The adjoining towns of Brunswick and Bath, Maine have a long history of service to the United States Navy. The Naval Air Station and Bath Iron Works, which has been building fighting ships for more than 100 years, are each among the largest, most important employers in the state. The two form the economic backbone of a broad geographic region. The plan to realign NASB, combined with layoffs at BIW resulting from reductions in the number of annual contract awards for the DDG-51 destroyer program and delays in the commencement of building the next generation DDX, could devastate the economy of a region that has proudly served the Navy as well as any in the nation.

Realignment of NASB

Realignment of NASB would displace just 61 civilian workers. But the removal of 2,317 military personnel, along with their spouses and children, would result in a population loss in the area of perhaps 4,500 to 5,000. The bulk of the population loss will be in Brunswick and Topsham, where base housing is located and the majority of Navy personnel reside. The combined population of those towns is just 31,200.

Such a dramatic loss in population will have an obvious adverse impact on local demand for goods and services. The State Planning Office estimates that the direct impact of job and earnings losses will total 2,461 jobs and \$69.5 million in earnings. The indirect impact will be an additional 2,194 jobs and \$65.4 million in earnings. Many of the retailers in the Cooks Corner area, one of the largest retail districts in the state located just outside the base, will struggle and some are likely to close. Much of the indirect job loss impact will be concentrated in that relatively compact area.

The impact on the local housing market will be extreme. The stock of base housing has been upgraded significantly in recent years, making it more appealing to Navy personnel. Since the upgrades, some landlords report a significant weakening in the local rental market. The prospect of perhaps 2,000 housing units being vacated in a very short period of time will drive down rents and cause the vacancy rate to spiral. Furthermore, a sizeable number of Navy families own homes in the area and most would be forced to sell. The prospect of a large number of homes being dumped on the market at a time when demand for both rental and ownership housing was plunging is likely to drive the value of the local housing stock downward. With home equity being the largest asset of the majority of families, virtually all home owners in the region will suffer a decline in their overall financial state.

Workforce Reductions at Bath Iron Works

In contrast to the realignment of NASB where the impact on housing demand and retail is particularly dramatic because of the concentration of Navy personnel in a relatively small geographic region, the impact of workforce reductions at BIW is a concern due to the wide geographic region from which people commute to work at one of the highest paying employers in the state.

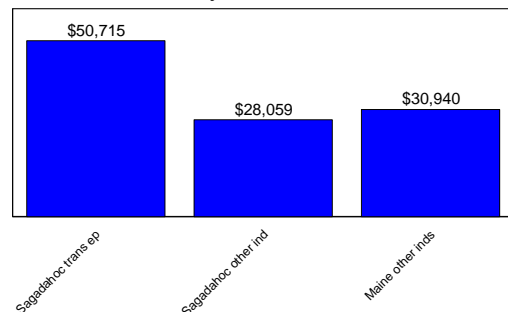
Reductions in the number of contracts the Navy has been awarding annually for building DDG-51 destroyers has resulted in net job losses of 1,100 at BIW in the last four years, 675 of which came in the last year. Recent unemployment compensation claims data illuminate the issue of the dispersion of the region impacted by workforce reductions at the yard. In the 12 months ending June 15, 2005, there were 549 claims for unemployment compensation by displaced BIW workers. Administrative records indicate that those workers lived in 106 different towns, several more than 50 miles from Bath. Additionally, figures from the 2000 Census indicate that people commuted from 173 Maine towns and cities to work in Bath. With no other employers of substantial size offering the attractive pay levels that would entice long commutes, it is clear that most of those commuting more than a few miles do so to work at BIW.

With the DDG-51 program winding down and the production schedule of the DDX delayed, there is a great deal of uncertainty overhanging BIW's 5,600 workers. The yard is in for some lean years that are likely to result in significant layoffs.

Industry Structure of Employment and the Regional Job Outlook

BIW employs some of the most skilled welders, pipefitters, marine electronics technicians, and other tradesmen, as well as marine drafters, planners, and other professionals in the world. As such, they command some of the best wages and salaries in the state. In the year ending in March, 2004, Census data indicates the average wage in Sagadahoc County in the transportation equipment manufacturing industry (BIW accounts for virtually all of those jobs) was \$50,715. The comparable average wage in all other industries (excluding transportation equipment) was \$28,059 in Sagadahoc County and \$30,940 statewide.

Average earnings are substantially higher in Sagadahoc County transportation equipment manufacturing than in other industries in the county and statewide



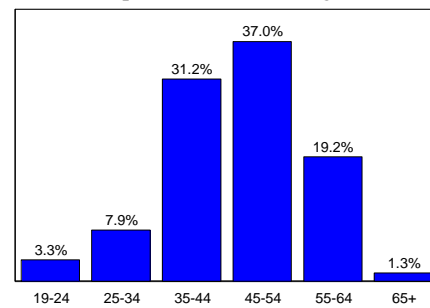
While the high-level knowledge, skills, and experience of the tradesmen and professionals at BIW are of great value in naval shipbuilding, there are virtually no other industries demanding those attributes, none in large numbers. And the outlook for those displaced workers is not good. The Maine Department of Labor's employment projections to 2012 expect the number of manufacturing and heavy industry jobs to continue the long-term pattern of decline.

Based upon past experience with base closings, plant closings, and major workforce reductions, it is likely that most of the displaced workers will experience a substantial drop in earnings upon re-employment and that some will choose to move to another region in order to find suitable employment, exacerbating the challenges facing the housing market.

Compounding the problem is that a high proportion of BIW workers are middle-age males, a very large share of whom do not have an education beyond high school. Men accounted for 90 percent of Sagadahoc County transportation equipment jobs in early 2004. Of those, 58 percent of were age 45 or over, and 89 percent were 35 or over. We know from experience, that middle-age men lacking post-secondary education who have been displaced from blue-collar jobs face daunting re-employment challenges. Combined with a weak job market demanding entirely different skill sets, the path to re-employment for these workers will be long and costly.

Adding further uncertainty to the region is the Secretary of the Navy's recent proposal to abandon the traditional competitive bidding system in favor of a single source provider for the DDX. Unlike the DDG-51 program, in which BIW is the lead yard, Ingalls Ship Building in Mississippi is the lead yard in the DDX program. That being the case, and with virtually all of BIW's production being for the Navy, a move to a single producer system could lead to BIW's closure. Combined with NASB realignment, the region could fall into one of deepest, most protracted economic slides seen in our nation in decades.

The workforce at BIW is mostly comprised of men over age 40



Defense Finance Accounting Services

A Labor Market Profile of Aroostook County for 2004

Total Population	73,390
Civilian Labor Force	36,830
Employment	34,680
Unemployment	2,160
Rate	5.9%

Wage and Salary Employment by Industry Sector

	Number	Percent of Total
Natural Resources and Mining	1,402	4.6%
Construction	842	2.8%
Manufacturing	3,585	11.9%
Trade, Transportation, and Utilities	6,020	19.9%
Information	1,091	3.6%
Financial Activities	1,276	4.2%
Professional and Business Services	1,362	4.5%
Education and Health Services	5,728	19.0%
Leisure and Hospitality Services	2,155	7.1%
Other Services	537	1.8%
State Government	1,252	4.1%
Local Government	4,028	13.3%
Federal Government	916	3.0%
Total	30,194	100.0%

The Impact Closure of the Defense Finance and Accounting Service Office Would Have on the Local Labor Market in the Limestone Region

**Prepared by
Maine Department of Labor
Labor Market Information Services
June 15, 2005**

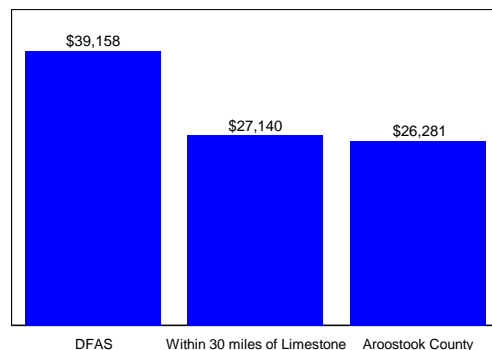
Closure of the Defense Finance and Accounting Service office in Limestone would have a major impact on the population of Aroostook County, which is among the most economically depressed regions in the nation. The county has long been heavily dependent on natural resource-based industries including forest products and agriculture, which have been in decline for years. The rise of mechanized potato and timber harvesting, increased competition from subsidized Canadian wood products mills, the closure of Loring Air Force Base, and other factors sent the economy into a tail spin that it has been struggling to escape for more than two decades.

Economic development efforts to diversify the economic base into growing services industries are beginning to take root and the dramatic population losses the region suffered in the 1980s and 90s have nearly stopped. But the state of the economy remains in a tenuous state; closure of the DFAS office would be a tremendous blow at an inopportune time.

The Local Population and Labor Force

Among Maine towns centered within 30 miles of Limestone, the population totaled just 38,290 in 2000 and the 2004 civilian labor force averaged 19,840, with 1,020 unemployed. The direct loss of 310 DFAS jobs would increase the number of unemployed in the region by nearly one-third and cause the unemployment rate to spike from 5.1 to 6.7 percent. Those figures do not include the secondary job losses that would occur as the displaced workers reduced their spending on goods and services in the local economy.

Average wages at the Defense Finance and Accounting Service are substantially higher than the average among employers in the region



Regional Employment and Wages of DFAS Workers

DFAS is among the largest, highest paying employers in the region. As such, a sizeable share of workers commute great distances to work there. Those workers accounted for 1.5 percent of jobs (see attached map) and 2.2 percent of total wages paid by employers within 30 miles of Limestone in 2004.

Industry Structure of Employment and the Regional Job Outlook

Many of the DFAS workers have accumulated knowledge and experience in business, information systems, accounting, and other finance-related occupations. In the slow- or no-

growth labor market that currently exists in the Limestone region, it is likely that most of the displaced workers will experience a substantial drop in earnings upon re-employment and that some will choose to move to another region in order to find suitable employment.

**Labor Availability in the Limestone Region for
Expanding the Defense Finance and Accounting Service**

**Prepared by
Maine Department of Labor
Labor Market Information Services**

June 9, 2005

The Limestone commuting region has the population and labor force to support an expansion of DFAS operations.

- The population within 30 miles of Limestone totaled 38,300 in 2000. In that region the civilian labor force averaged 19,800 and the unemployment rate was 5.1 percent in 2004.
- In 2004 the population in Aroostook County totaled 73,390. The labor force averaged 36,830 and the unemployment rate was 4.5 percent.
- According to the *2000 Census of Population*, Maine workers are willing to commute lengthy distances to work, with 28 percent commuting between 30 and 60 miles. Two attached maps include a breakdown of commuting into and out of Limestone. Many more workers commute to the larger nearby towns of Caribou and Presque Isle, where there are many more jobs. The larger number of commuters to those towns provides a better indication of the number of people willing to commute to Limestone.
- Aroostook County has been experiencing net out-migration of population for the last four decades. The out-migration rate has generally been highest among young adults, many of whom leave to enter college and do not return due to the limited career opportunities available to them. A recent study commissioned by the Northern Maine Development Commission found that a sizable share of youths would prefer to remain in Aroostook if appropriate career opportunities were available to them.

Aroostook County has the experienced workers to support expansion of DFAS operations.

- There were 2,800 people working in occupations common to DFAS operations in 2004.
- There were 148 Aroostook County residents with experience in occupations common to DFAS operations on file with Maine CareerCenters. (See attached table for more detail on employment and job applicants.)
- There is a substantial pool of people working in related occupations who have the knowledge, skills, and other attributes necessary for success in functions performed in DFAS operations.

Aroostook County average wages for Accountants and Auditors; Bookkeeping, Accounting, and Auditing Clerks; First-Line Supervisors of Office and Administrative Support Workers; and other occupations were **substantially below pay levels reported by the Limestone DFAS office**, as well as below 2004 national averages. DFAS pay levels by occupation are extremely attractive in the region.

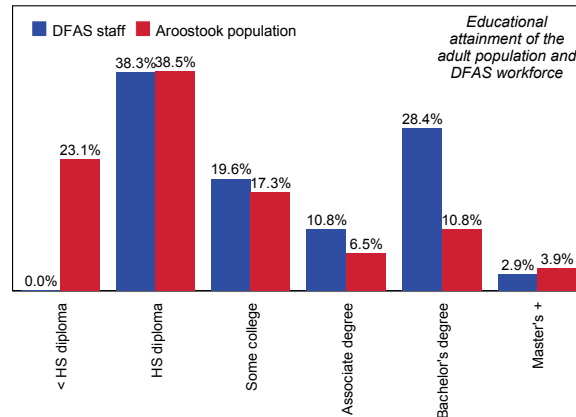
Maine's CareerCenters are committed to assisting employers with their staffing needs. The Presque Isle CareerCenter office has an excellent track record assisting local employers finding the right workers for job openings.

The **University of Maine and Northern Maine Community College campuses in Presque Isle** offer accounting, business, information systems, and other programs of academic and professional development that will **sustain a strong supply of workers with the education and skills** necessary for success in DFAS operations.

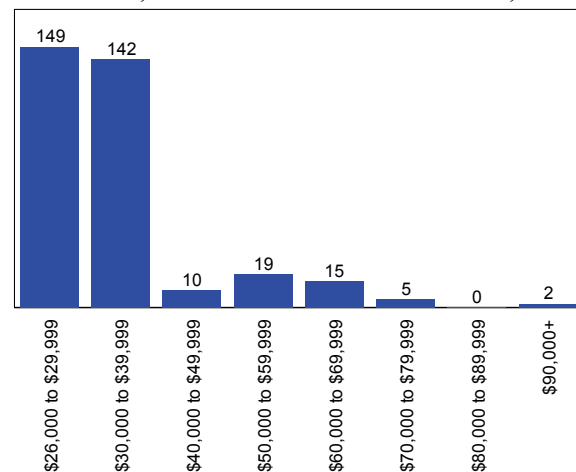
A Demographic Profile of the Defense Finance and Accounting Service Workforce

- The DFAS office in Limestone employs a workforce of about 342.
- Most of the workforce has some form of post-secondary education, and nearly one-third have a bachelor's degree or higher. The DFAS workforce is generally more well-educated than the adult population of Aroostook County.
- The \$33,780 average wage at DFAS is about one-third higher than the 2004 average in Aroostook County. About 44 percent of DFAS workers earn between \$26,000 and \$30,000, and 85 percent earn less than \$40,000.
- The average age of the DFAS workforce is 46 and the average length of service is nine years.

The DFAS workforce is generally more well-educated than the general population of Aroostook County



The largest share of the workforce earns less than \$30,000 and most earn less than \$40,000



Prepared by Maine Department of Labor, Labor Market Information Services.